

AUGUST 5-6, 2019  
SACRAMENTO, CALIFORNIA

CONTRACTORS STATE LICENSE BOARD

Executive, Licensing,  
and Legislative  
Committee Meetings







## CONTRACTORS STATE LICENSE BOARD

STATE OF CALIFORNIA

9821 Business Park Drive, Sacramento, California 95827

Mailing Address: P.O. Box 26000, Sacramento, CA 95826

800.321.CSLB (2752) | [www.cslb.ca.gov](http://www.cslb.ca.gov) | [CheckTheLicenseFirst.com](http://CheckTheLicenseFirst.com)

## NOTICE OF EXECUTIVE, LICENSING, AND LEGISLATIVE COMMITTEE MEETINGS

### EXECUTIVE COMMITTEE MEETING

Monday, August 5, 2019, 2:00 p.m. – 4:00 p.m. (or until the conclusion of business)

Contractors State License Board

John C. Hall Hearing Room

9821 Business Park Drive, Sacramento, CA 95827

### LICENSING AND LEGISLATIVE COMMITTEE MEETINGS

Tuesday, August 6, 2019, 9:00 a.m. to 3:00 p.m. (or until the conclusion of business)

Employment Development Department, Auditorium

722 Capitol Mall, Sacramento, CA 95814

Meetings are open to the public except when specifically noticed otherwise in accordance with the Open Meeting Act. All times when stated are approximate and subject to change without prior notice at the discretion of each committee's chair, unless listed as "time certain." Items may be taken out of order to maintain a quorum, accommodate a speaker, or for convenience. Action may be taken on any item listed on this agenda, including information-only items. The meeting may be canceled without notice.

Members of the public can address the committee during the public comment session. Public comments will also be taken on agenda items at the time the agenda item is heard and prior to CSLB's committee taking any action on said items. Total time allocated for public comment may be limited at the discretion of each committee chair.

### Monday, August 5

### EXECUTIVE COMMITTEE MEETING AGENDA

#### Executive Committee Members:

Johnny Simpson, Chair / David De La Torre / Susan Granzella / Marlo Richardson

- A. Call to Order, Roll Call, Establishment of Quorum and Chair's Introduction
- B. Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests  
(Note: Individuals may appear before the committee to discuss items not on the agenda; however, CSLB's committee can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).)
- C. Staff Presentation of CSLB Budget Overview and Fund Condition
- D. Review, Discussion, and Possible Action on Strategies to Reduce Budget Expenditures and Increase Revenue
  1. Administration
  2. Licensing and Testing
  3. Public Affairs
  4. Enforcement
- E. Review, Discussion, and Possible Action to Initiate a Rulemaking or Pursue Legislation to Increase CSLB License and Renewal Fees
- F. Adjournment

**Tuesday, August 6**

**LICENSING COMMITTEE MEETING AGENDA**

Licensing Committee Members:

David Dias, Chair / Kevin Albanese / Agustin "Augie" Beltran / David De La Torre / Marlo Richardson

- A. Call to Order, Roll Call, Establishment of Quorum and Chair's Introduction
- B. Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests  
*(Note: Individuals may appear before the committee to discuss items not on the agenda; however, CSLB's committee can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).*
- C. Review, Discussion, and Possible Action to Pursue Legislation to Enact a Residential Remodeling and Home Improvement License Classification
- D. Review, Discussion, and Possible Action to Pursue Legislation to Increase the Minor Work Licensure Exemption for Contracting (Currently Under \$500 for Labor and Materials)
- E. Review, Discussion, and Possible Recommendation Regarding Cost Benefit Analysis to Outsource CSLB Examination Administration
- F. Adjournment

**LEGISLATIVE COMMITTEE MEETING AGENDA** (Upon adjournment of Licensing Committee meeting)

Legislative Committee Members:

Agustin "Augie" Beltran, Chair / Kevin Albanese / David De La Torre / David Dias / Marlo Richardson

- A. Call to Order, Roll Call, Establishment of Quorum and Chair's Introduction
- B. Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests  
*(Note: Individuals may appear before the committee to discuss items not on the agenda; however, CSLB's committee can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).*
- C. Review, Discussion, and Possible Action to Pursue Legislation to Amend Business and Professions Code Section 7141.5 (Retroactive Renewals)
- D. Review, Discussion, and Possible Action to Pursue Legislation to Charge a \$20 Fee for Processing a Name Change on a License Record
- E. Presentations by Panel of Experts Regarding the Proper Classification to Install Battery Energy Storage Systems
  - 1. Presentation from Representative of the C-10 Electrical Industry
  - 2. Presentation from Representative of the C-46 Solar Industry
  - 3. Presentation from Representative of California Building Officials
- F. Review, Discussion, and Consideration of the Proper Classification to Install Battery Energy Storage Systems and Options for Regulatory Proposals to Restrict the C-46 (Solar Contractor) License Classification
- G. Adjournment

**Note:** Members of the board who are not members of the committee may attend the committee meetings. However, if a majority of members of the full board are present at any of the committee meetings, members who are not committee members may attend the meeting as observers only.

The board intends to provide a live webcast of the meetings. The webcast can be located at [www.cslb.ca.gov](http://www.cslb.ca.gov). Webcast availability cannot, however, be guaranteed due to limitations on resources or technical difficulties. The meeting will continue even if the webcast is unavailable. If you wish to participate or have a guaranteed opportunity to observe, please plan to attend the physical meeting location.

The meetings are accessible to those needing special accommodation. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Phyliz Jones at (916) 255-4000, or [phyliz.jones@cslb.ca.gov](mailto:phyliz.jones@cslb.ca.gov), or Phyliz Jones, 9821 Business Park Drive, Sacramento, CA, 95827. Providing your request at least five business days prior to the meeting will help ensure availability of the requested accommodation.





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9821 Business Park Drive, Sacramento, CA 95827

#### **Licensing and Legislative Committee Meetings**

Tuesday, August 6, 2019, 9:00 a.m. to 3:00 p.m. (or upon adjournment)  
Employment Development Department, Auditorium  
722 Capitol Mall, Sacramento, CA 95814

### **Monday, August 5, 2019**

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### **Tuesday, August 6, 2019**

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AUGUST 5, 2019  
SACRAMENTO, CALIFORNIA

CONTRACTORS STATE LICENSE BOARD

# Executive Committee Meeting





## AGENDA ITEM A

# Call to Order, Roll Call, Establishment of Quorum and Chair's Introduction

EXECUTIVE COMMITTEE COMMITTEE MEMBERS

JOHNNY SIMPSON, CHAIR

DAVID DE LA TORRE

SUSAN GRANZELLA

MARLO RICHARDSON

Committee Chair Johnny Simpson will review the scheduled Committee actions and make appropriate announcements.





## AGENDA ITEM B

# Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests

(Note: Individuals may appear before the committee to discuss items not on the agenda; however, CSLB's committee can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)). Public comments will be taken on agenda items at the time the item is heard and prior to the CSLB taking any action on said items. Total time allocated for public comment may be limited at the discretion of the Board Chair.

### BOARD AND COMMITTEE MEETING PROCEDURES

To maintain fairness and neutrality when performing its adjudicative function, the Board should not receive any substantive information from a member of the public regarding matters that are currently under or subject to investigation, or involve a pending administrative or criminal action.

- (1) If, during a Board or Committee meeting, a person attempts to provide the Board with substantive information regarding matters that are currently under or subject to investigation or involve a pending administrative or criminal action, the person shall be advised that the Board cannot properly consider or hear such substantive information and the person shall be requested to refrain from making such comments.
- (2) If, during a Board or Committee meeting, a person wishes to address the Board concerning alleged errors of procedure or protocol or staff misconduct involving matters that are currently under or subject to investigation or involve a pending administrative or criminal action:
  - (a) The Board or Committee may designate either its Registrar or a board employee to review whether the proper procedure or protocol was followed and to report back to the Board once the matter is no longer pending; or,
  - (b) If the matter involves complaints against the Registrar, once the matter is final or no longer pending, the Board or Committee may proceed to hear the complaint in accordance with the process and procedures set forth in Government Code section 11126(a).
- (3) If a person becomes disruptive at the Board or Committee meeting, the Chair will request that the person leave the meeting or be removed if the person refuses to cease the disruptive behavior.





## AGENDA ITEM C

# Staff Presentation of CSLB Budget Overview and Fund Condition









### Budget Overview

CSLB is a special fund entity, funded entirely by license fees and disciplinary action assessments. In July 2017, CSLB implemented a 10 percent fee increase that was expected to increase revenue by \$5 million annually, providing CSLB a healthy and stable fund. However, over the last two years CSLB has unexpectedly seen a revenue loss due to a decline in license renewals and over \$8 million in unforeseeable expenditures, creating a structural budget imbalance. Based on the decline in revenue and increased expenditures, CSLB projects insufficient available funds for ongoing operations by the beginning of fiscal year 2020-21 if expenditures are not substantially reduced and/or funds increased.

### Budget Structural Imbalance

Based on projected levels of revenue and expenditures, the deficit between revenue and expenditures will continue to grow (i.e., structural budget imbalance). Table 1 below provides analysis of the CSLB actual and estimated structural budget imbalance, where expenditures exceed revenues, by showing the levels of revenue, expenditures, and the difference from FY 2016-17 to FY 2021-22.

| TABLE 1     |              |                                  |                                   |                                     |
|-------------|--------------|----------------------------------|-----------------------------------|-------------------------------------|
| Fiscal Year | Revenue      | Expenditures<br>w/Reimbursements | Structural<br>Budget<br>Imbalance | End of Year<br>Months in<br>Reserve |
| 2016-17     | \$60,078,000 | \$62,867,000                     | -\$2,789,000                      | 2.7                                 |
| 2017-18     | \$65,627,000 | \$67,937,000                     | -\$2,310,000                      | 2.2                                 |
| 2018-19*    | \$66,611,000 | \$70,765,000                     | -\$4,154,000                      | 1.4                                 |
| 2019-20*    | \$67,069,000 | \$74,800,000                     | -\$7,459,000                      | 0.2                                 |
| 2020-21*    | \$67,074,000 | \$77,153,000                     | -\$10,079,000                     | -1.4                                |
| 2021-22*    | \$67,536,000 | \$78,442,000                     | -\$10,906,000                     | -3.1                                |

\* Projected

Since the fee increase in July 2017, costs have increased significantly (over \$8 million) and most, if not all, were unforeseeable and/or nonexistent at the time the fee increase was proposed.

| Expenditures Over Three Years                                  |                                     |              |              |                                   |
|--|-------------------------------------|--------------|--------------|-----------------------------------|
|  | FY 16-17                            | FY 17-18     | FY 18-19     | Projected<br>FY 19-20             |
| Personnel Services   | \$34,233,961                        | \$36,219,316 | \$38,755,200 | \$42,577,000                      |
| Operating Expenses   | \$19,378,375                        | \$21,461,080 | \$20,170,667 | \$18,162,000                      |
| Enforcement*   | \$6,656,107                         | \$7,010,235  | \$7,834,316  | \$10,169,000                      |
| External Costs** (i.e., Statewide Pro Rata, Pensions, Fi\$Cal) | \$3,205,000                         | \$3,961,000  | \$4,765,000  | \$4,645,000                       |
|  | \$63,473,443                        | \$68,651,631 | \$71,525,183 | \$75,553,000                      |
|  | \$8,051,740 Increase since FY 16-17 |              |              | 6% increase over last fiscal year |

\* Enforcement increase is due to a 20% increase in attorney general and 15% increase Office of Administration Hearing costs.

\*\* External Costs are beyond CSLB's control and are issued statewide by various control agencies as mandatory charges that funds must absorb.

Of the \$8 million increase in costs since fiscal year 2016-17, the most significant operational increases occurred in the following areas:

- \$4.5 million in personnel services (e.g., increased staffing, salary, benefits, pay raises, retirements)
- \$1.5 million in external state operation costs (e.g., statewide pro rata, pension payments, Fi\$Cal)
- \$1.2 million (approximately) in enforcement (e.g., Attorney General's Office and Office of Administrative Hearings)
- \$1 million (approximately) in operating expenses.

Some of the costs above resulted from the following issued statewide changes:

- Effective January 1, 2018, CSLB was informed that the Department of Human Resources (CalHR) had performed an IT classification consolidation. As a result, CSLB saw a \$50,000 increase in additional pay and benefits to the IT program. (Personnel Services)
- Effective July 1, 2018, CSLB was informed that the Department of Finance had approved an automatic rate adjustment and an allocation of administrative overhead for the Department of Technology. As of June 2019, this rate adjustment, along with the administrative overhead, had increased charges to CSLB by \$1.1 million. These costs are expected to rise annually as CSLB increases online application submittals and for necessary information technology support. (Operating Expenses)



- Effective July 1, 2019, CalHR informed CSLB of an approved 3.5% pay increase for 285 (or 67%) of CSLB staff, effective on the July 2019 paycheck. This is roughly \$850,000 annually in additional pay and benefits. (Personnel Services)

CSLB is also seeing future revenue losses and cost increases in the following areas:

- As of June 2019, CSLB is seeing a 3% decline (roughly 4,000) in license renewals, which equates to a revenue loss of about \$2 million. Since renewals constitute the main source of revenue for CSLB (on average 75%) this decline is extremely concerning. (Revenue Loss)
- As of July 1, 2019, the Attorney General's Office raised its billing rates for attorney services by 30%, from \$170 to \$220 per hour, and paralegal services by 71%, from \$120 to \$205 per hour (see letter that follows). On July 12, 2019, the AG amended the effective date of these increases to September 1, 2019 (see letter that follows). This dramatic increase to already rising AG costs will cost CSLB \$3 million more annually. (Enforcement)
- Over the last three year, CSLB has devoted resources to the many disasters throughout the state (e.g., wildfires and mudslides), which has contributed to an increase in operational costs (i.e., travel reimbursements, vehicle costs, overtime, etc.). On average, this has been an increase of \$500,000 in costs annually and will, unfortunately, continue indefinitely. (Personnel Services and Operating Expenses)



STATE OF CALIFORNIA  
OFFICE OF THE ATTORNEY GENERAL  
SEAN E. McCLUSKIE  
CHIEF DEPUTY TO THE ATTORNEY GENERAL

June 28, 2019

Attorney General Legal Services Clients:

Pursuant to Government Code Section 11044, the Attorney General is authorized to set a billing rate sufficient to recover the costs incurred in providing legal services. This existing rate structure has not changed since it was initially implemented effective July 1, 2009.

Over the span of 10 years, the Attorney General's costs in providing legal services have significantly increased primarily due to annual increases in personal services, operating expenses, and statewide prorata. Recent analyses, in collaboration with the Department of Finance, have concluded that an increase in the billing rates is necessary in order for the Attorney General to continue providing critical legal services to client agencies.

Effective July 1, 2019, the Attorney General will increase its billing rates accordingly: \$220 per hour for attorney services, \$205 per hour for paralegal services, and \$195 per hour for auditor and research analyst services. Departments receiving legal services from the Department of Justice (DOJ) under a Memorandum of Understanding (MOU) are also subject to these new rates.

Pursuant to the Budget Act of 2019, Section 5.0, "the Department of Finance may adjust any item of appropriation to reimburse the Department of Justice for legal services provided to client agencies". The Department of Finance will work with state agencies to determine the need to adjust Fiscal Year 2019-20 budgets to address the increased Attorney General legal billing rates.

If you have any questions, please contact Chris Ryan, Chief of the Division of Operations, at (916) 210-7008.

Sincerely,

SEAN E. McCLUSKIE  
Chief Deputy to the Attorney General



STATE OF CALIFORNIA  
OFFICE OF THE ATTORNEY GENERAL  
SEAN E. McCLUSKIE  
CHIEF DEPUTY TO THE ATTORNEY GENERAL

July 12, 2019

Attorney General Legal Services Clients:

This letter is intended to provide clarification on the client notification letter distributed on July 3, 2019 pertaining to the implementation of the new Attorney General legal services billing rates.

The Budget Act of 2019 established Control Section 5.00 to address the impact of the updated legal service rates on client agencies' appropriations. The new control section requires the Department of Justice to provide a written report outlining specific information about the rates to the Joint Legislative Budget Committee, and further requires the Department of Finance to notify the Joint Legislative Budget Committee prior to adjusting client agency appropriations based on the new rates.

The Department of Justice will submit the report to the Joint Legislative Budget Committee as required by the end of July 2019. It is estimated that the 30-day notification process will conclude by the end of August 2019, and that the new legal billing rates will become effective on September 1, 2019. The current billing rates will remain in effect for July and August 2019. Departments will receive further instruction from the Department of Finance in the coming weeks.

If you have any questions, please contact Chris Ryan, Chief of the Division of Operations, at (916) 210-7008.

Sincerely,

A handwritten signature in blue ink that reads "Sean E. McCluskie".

SEAN E. McCLUSKIE  
Chief Deputy to the Attorney General



## AGENDA ITEM D

# Review, Discussion, and Possible Action on Strategies to Reduce Budget Expenditures and Increase Revenue

- a. Administration
- b. Licensing and Testing
- c. Public Affairs
- d. Enforcement









### Strategies to Reduce Expenditures and Increase Revenue

To address CSLB's budget imbalance, senior staff members developed the following measures to reduce expenditures and to increase revenue. In addition, management will review all staff vacancies to determine the feasibility of delaying filling some positions.

#### ADMINISTRATIVE

- Effective July 11, 2019, division chiefs will review and approve all purchase/procurement requests to help reduce non-essential purchases and ensure maintenance of an appropriate level of supplies.
- Transition to use of multi-function copiers for all printing needs in lieu of personal desktop printers. Use of multi-function copiers can result in significant cost savings and provide the option of secure printing through the use of a unique PIN. No purchase of personal desktop printers will be authorized.
- Established regular meetings with administrative and information technology staff to review existing and future contracts/procurement to determine if the request is mission critical; first meeting held on July 15, 2019.

#### LICENSING

- Assess a \$20 fee to process requests for license business name changes to offset the staff resources required to process them. In fiscal year 2018-19, CSLB received 6,541 requests, which would generate an estimated \$130,000 annually. (August 6, 2019, Legislative Committee meeting agenda item.)
- Development of a Remodeling and Home Improvement license classification. Creation of a new license classification to provide a pathway for licensure for those with multi-trade construction experience but who lack framing experience and, therefore, do not qualify for a "B" General Building license will likely increase CSLB's pool of licensees. (August 6, 2019, Licensing Committee meeting agenda item.)
- Cost benefit analysis related to outsourcing CSLB examination administration. Conduct a cost review for outsourcing CSLB's exam administration. (August 6, 2019, Licensing Committee meeting agenda item.)
- Freeze a currently vacant AGPA position in Testing (approximate annual savings in salary and benefits of \$110,000).



## **PUBLIC AFFAIRS**

- Reduce travel expenditures for outreach events that require air or overnight travel and/or expanding the of number central and southern California staff who can participate in outreach events in place of Sacramento-based staff.
- Develop outreach program specifically targeting license applicants. Create a live interactive online license applicant workshop that would be conducted in both English and Spanish and take place multiple times each month. The goal of the program is to help make it easier and faster for applicants to get licensed.
- Develop outreach program specifically targeting licensees. Create live interactive online programs and podcasts with topics including, how to build your contracting business, the importance of timely license renewals, how to maintain or make changes to your license, and how to deal with a complaint against your license. A video newsletter will also be developed. The goal of the program is to provide additional educational services and value for licensees, in order to help reduce a current 3 percent drop in license renewals.
- Develop online courses and content to educate licensees and as part of Enforcement efforts in response to low-level violations.
- Freeze a currently vacant Student Assistant position.

## **ENFORCEMENT**

### Administrative Citation Cost Reduction Strategies

- CSLB now issues Letters of Admonishment (LOA) for less serious offenses. LOA's allow a CSLB hearing officer to conduct the appeal hearing, rather than an Administrative Law Judge, eliminating the need for Attorney General Office representation.
- CSLB staff are conducting informal citation conferences to attempt resolution of appealed citations before they are forwarded to the AG for representation.
- Staff are ensuring that civil penalties comply with California Code of Regulations section 884 (Title 16, Division 8, Article 8), which provides for the assessment of penalties up to \$5,000, when appropriate. With the implementation of the Letter of Admonishment, CSLB only issues citations for complaints that involve egregious violations of contractors' state license law, which supports higher penalty amounts.
- Consider legislation to increase the civil penalty from \$5,000 to \$15,000 for failure to secure workers' compensation for employees, as is currently the case for non-licensees. (Future Enforcement Committee consideration.)



### Accusation Cost Reduction

- Staff have established a taskforce to review accusations with more than \$20,000 billed in legal fees or that have been pending for more than two years at the Office of the Attorney General to determine if license revocation remains viable and/or why the matter has not been scheduled for hearing.
- Cap Office of Attorney General expenditures for fiscal year 2019-21 until additional revenue is available. (Future Enforcement Committee consideration.)

### Staff Resources

- Redirect SWIFT proactive enforcement from workers' compensation compliance to license compliance. (Future Enforcement Committee consideration.)
- Freeze vacant positions and implement process changes to reduce consumer complaints (future Enforcement Committee consideration):
  - Refer consumers to small claims court if mediation attempts are not successful and the estimated financial injury is less than \$5,000.
  - Refer material suppliers and licensees to civil avenues for redress if mediation attempts regarding payment issues are not successful.



## AGENDA ITEM E

Review, Discussion, and Possible  
Action to Initiate a Rulemaking or  
Pursue Legislation to Increase CSLB  
License and Renewal Fees







# CONTRACTORS STATE LICENSE BOARD

## Proposed Fee Increases

### Proposed Fee Increases

To generate sufficient revenue to support its existing budget and provide reasonable inflationary cost increases, as have been seen over the last few years, CSLB needs to increase its fees. The chart below identifies each fee, along with proposed increases that range from approximately 14% with the statutory maximum to a 20%-25% increase.

| Proposed Levels of Fee Increases                          |              |                       |                |                     |     |
|---|--------------|-----------------------|----------------|---------------------|-----|
| Description of Fees                                       | Current Fees | By Regulation         | By Legislation |                     |     |
|   |              | Statutory Maximum Cap | 20% Increase   | 20% to 25% Increase |     |
| Application & Licensing Fees                              |              |                       |                |                     |     |
| Original Application (exam or waiver)                     | \$330.00     | \$375.00              | \$400.00       | \$400.00            | 21% |
| Initial License Fee                                       | \$200.00     | \$225.00              | \$240.00       | \$250.00            | 25% |
| Additional Classification (for original license)          | \$75.00      | \$85.00               | \$90.00        | \$90.00             | 20% |
| Re-Examination  | \$60.00      | \$70.00               | \$70.00        | \$75.00             | 25% |
| Add New Personnel (for existing corporation/LLC)          | \$100.00     | \$115.00              | \$120.00       | \$120.00            | 20% |
| Add New Limited Partner (for existing partnership)        | \$100.00     | \$115.00              | \$120.00       | \$120.00            | 20% |
| Additional Classification (for existing license)          | \$150.00     | \$175.00              | \$180.00       | \$180.00            | 20% |
| Replacing the Qualifier                                   | \$150.00     | \$175.00              | \$180.00       | \$180.00            | 20% |
| License Reactivation Application                          | \$400.00     | \$450.00              | \$480.00       | \$500.00            | 25% |
| HIS Registration  | \$83.00      | \$95.00               | \$100.00       | \$100.00            | 20% |
| Asbestos Certification                                    | \$83.00      | \$95.00               | \$100.00       | \$100.00            | 20% |
| Hazardous Substance Removal Certification                 | \$83.00      | \$95.00               | \$100.00       | \$100.00            | 20% |
| Duplicate/Replacement Pocket/Wall Certificate             | \$12.00      | \$14.00               | \$20.00        | \$20.00             | 67% |
| Renewal Fees  |              |                       |                |                     |     |
| Active Timely Renewal                                     | \$400.00     | \$450.00              | \$480.00       | \$500.00            | 25% |
| Active Delinquent Renewal<br>(Renewal Fee plus penalty)   | \$600.00     | \$675.00              | \$720.00       | \$750.00            | 25% |
| Inactive Timely Renewal                                   | \$200.00     | \$225.00              | \$240.00       | \$250.00            | 25% |
| Inactive Delinquent Renewal<br>(Renewal Fee plus penalty) | \$300.00     | \$337.50              | \$360.00       | \$375.00            | 25% |
| HIS Timely Renewal  | \$83.00      | \$95.00               | \$100.00       | \$100.00            | 20% |
| HIS Delinquent Renewal<br>(Renewal Fee plus penalty)      | \$124.50     | \$142.50              | \$150.00       | \$150.00            | 20% |
| Total New Annual Revenue Projected to Generate:           |              | \$ 8 million          | \$ 13 million  | \$16 million        |     |

**Staff Recommendation:**

That the Executive Committee direct staff to develop a legislative proposal to increase license and application fees by 20%-25% for full board consideration at the September 2019 meeting, to ensure that CSLB will be solvent with a stable reserve for the foreseeable future while continuing to fulfill its mission to protect consumers by licensing and regulating the construction industry.



## AGENDA ITEM F

Adjournment





AUGUST 6, 2019  
SACRAMENTO, CALIFORNIA

CONTRACTORS STATE LICENSE BOARD

# Licensing Committee Meeting





## AGENDA ITEM A

# Call to Order, Roll Call, Establishment of Quorum and Chair's Introduction

### LICENSING COMMITTEE MEMBERS:

DAVID DIAS, CHAIR

KEVIN ALBANESE

AGUSTIN "AUGIE" BELTRAN

DAVID DE LA TORRE

MARLO RICHARDSON

Committee Chair David Dias will review the scheduled Committee actions and make appropriate announcements.





## AGENDA ITEM B

# Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests

(Note: Individuals may appear before the committee to discuss items not on the agenda; however, CSLB's committee can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)). Public comments will be taken on agenda items at the time the item is heard and prior to the CSLB taking any action on said items. Total time allocated for public comment may be limited at the discretion of the Board Chair.

### BOARD AND COMMITTEE MEETING PROCEDURES

To maintain fairness and neutrality when performing its adjudicative function, the Board should not receive any substantive information from a member of the public regarding matters that are currently under or subject to investigation, or involve a pending administrative or criminal action.

- (1) If, during a Board or Committee meeting, a person attempts to provide the Board with substantive information regarding matters that are currently under or subject to investigation or involve a pending administrative or criminal action, the person shall be advised that the Board cannot properly consider or hear such substantive information and the person shall be requested to refrain from making such comments.
- (2) If, during a Board or Committee meeting, a person wishes to address the Board concerning alleged errors of procedure or protocol or staff misconduct involving matters that are currently under or subject to investigation or involve a pending administrative or criminal action:
  - (a) The Board or Committee may designate either its Registrar or a board employee to review whether the proper procedure or protocol was followed and to report back to the Board once the matter is no longer pending; or,
  - (b) If the matter involves complaints against the Registrar, once the matter is final or no longer pending, the Board or Committee may proceed to hear the complaint in accordance with the process and procedures set forth in Government Code section 11126(a).
- (3) If a person becomes disruptive at the Board or Committee meeting, the Chair will request that the person leave the meeting or be removed if the person refuses to cease the disruptive behavior.







## AGENDA ITEM C

# Review, Discussion, and Possible Action to Pursue Legislation to Enact a Residential Remodeling and Home Improvement License Classification







# CONTRACTORS STATE LICENSE BOARD

## RESIDENTIAL REMODELING & HOME IMPROVEMENT LICENSE

### Residential Remodeling and Home Improvement License

As part of CSLB's 2019-21 Strategic Plan to develop a proposal for a new remodeling and home improvement license classification staff met with stakeholders and has developed the following proposal for board consideration.

### Existing Law

#### Minor Work Exemption

Construction projects for which the full aggregate contract price is \$500 or more must be performed only by licensed contractors, pursuant to Business and Professions Code section 7048.

#### General Building Contractor Classification

Business and Professions Code section 7057 establishes that a "B" General Building contractor may contract for construction projects that require the use of at least two unrelated building trades or crafts (multi-trade work). The statute further allows "B" General Building contractors to contract for projects that involve framing or carpentry work only.

In 2014, CSLB staff specifically asked DCA legal counsel if an individual may qualify for a "B" General Building license without framing or rough carpentry experience. Counsel informed staff that an applicant for a "B" license must possess experience in the framing/rough carpentry trade and two other unrelated trades. DCA legal counsel provided the following example to support its determination:

*[W]ithout the framing/rough carpentry trade, an applicant could qualify based upon two unrelated trades – say painting and flooring – and be issued a general contractor's license and therefore be authorized to build, superintend or oversee the construction of homes, houses, and other structures that shelter persons without any experience in the rough carpentry or framing trade. This action may lead to an applicant who qualified on the basis [of] flooring and painting trades and now has a general contractor's license to determine if a support beam, truss, or joist is properly framed and/or attached or anchored to the structure.*

### Consumer Protection Benefits

Staff analyzed consumer-filed complaints to CSLB from January 1, 2018 to June 30, 2019 and determined that approximately 25 percent involved a contract with a "B" General Building contractor for remodeling or repairs with a contract price of \$25,000 or less. Consumers would benefit from the option of hiring a contractor specifically licensed to perform remodeling and home improvement work.

## Underground Economy

Unlicensed contractors routinely advertise for and perform remodeling projects. As unlicensed contractors, they cannot obtain building permits and workers' compensation insurance for employees, and they do not obtain bonds, all of which creates serious liabilities and provides little recourse for financially injured consumers.

### Online Advertising

A review of advertisements for contracting services on one of the popular online platforms in five different regions around the state – Inland Empire, Los Angeles, Sacramento, San Diego, and San Francisco – revealed that anywhere from 12 percent to 19 percent of advertisements were for multi-trade services on any given day. None of the advertisements for multi-trade home improvement work included a contractor license number.

|               | Multi-Trade Ads | Total Contractor Ads | % Multi-Trade Ads |
|---------------|-----------------|----------------------|-------------------|
| San Francisco | 30              | 242                  | 12%               |
| Inland Empire | 12              | 68                   | 18%               |
| Los Angeles   | 28              | 160                  | 18%               |
| San Diego     | 16              | 101                  | 16%               |
| Sacramento    | 11              | 57                   | 19%               |

## CSLB Licensing Workshops

Since November 2017, CSLB has held 67 licensing workshops for 2,377 attendees. Of those attending, approximately 80 to 85 percent would benefit from a residential remodeling and home improvement license, as many already perform remodeling work but lack the structural framing experience required for the "B" General Building license.

CSLB also recently began conducting an anonymous survey at the licensing workshops. Of the 49 unlicensed contractors surveyed to date:

- Approximately 60 percent do little-to-no structural work
- Participants reported performing a combination of the following residential multi-trade crafts at least once a month:
  - bathroom fixtures
  - painting
  - plugs and switches
  - light and fan fixtures
  - cabinets
  - windows and doors
  - drywall
  - tiling

- flooring
- insulation
- moulding

To date, the data collected indicates that there is a significant population seeking licensure to perform multi-trade residential remodeling but cannot obtain a “B” General Building contractor license for lack of structural framing experience.

### **Western States General Building Requirements**

Several western states have multi-tier general building contracting license types, in addition to a general building contractor license:

- Arizona has a B-3 General Remodeling and Repair contractor. This classification allows the licensee to remodel and repair an existing residential structure or appurtenance except for electrical, plumbing, mechanical, boilers, swimming pools, spas, and water wells, which must be subcontracted to an appropriately licensed contractor. The scope of work allowed under the R-7 carpentry classification is included within this scope.
- Nevada has three license types. The B-1 Premanufactured Housing, the B-2 Residential and Small Commercial (limited to three-story structures), and the B-6 Commercial Remodeling.
- Oregon has a residential limited contractor license that is obtained by endorsement, which allows work on residential structures. The classification is intended for part-time workers and hobbyists. These contractors may supervise, arrange, and/or perform an unlimited number of unrelated building trades involving residential or small commercial structure projects that meet all of the following:
  1. Will not perform work exceeding \$40,000 in gross annual volume.
  2. Will not enter into contracts to perform work as a contractor that exceeds \$5,000.
  3. Will not perform work that exceeds \$5,000 per jobsite per year.
  4. Understands that if gross construction business volume exceeds \$40,000 during the year, the law requires the contractor to immediately change their endorsement and increase their bond and insurance coverage, if required.
- Utah has an R101 – residential and small commercial, non-structural remodel and repair contractor. These contractors may engage in multi-trade work in existing structures but may not make any changes to the bearing portions of the existing structure.

## Staff Recommendation

That the Licensing Committee recommend the full board adopt this legislative proposal for a new license classification in statute: B-1 Residential Remodeling/Home Improvement Contractor, which would include the following concepts:

- The B-1 classification scope would include three or more trades or crafts with the following restrictions:
  - Limited to working on existing residential wood frame structures
  - Cannot make structural alterations to load-bearing partitions and walls
  - Cannot install or extend electrical or plumbing systems but can make modifications to existing systems (e.g., install recessed lighting or alter plumbing for two shower heads)
  - Cannot install or replace an HVAC system
- Applicants/licensees must comply with CSLB experience, examination, license bond, and workers compensation insurance requirements

## PROPOSED LANGUAGE:

### Section 7055 of the Business and Professions Code is amended, to read:

7055. For the purpose of classification, the contracting business includes any or all of the following branches:

- (a) General engineering contracting.
- (b) General building contracting.

#### (1) Residential remodeling and home improvement contracting

- (c) Specialty contracting.

### Section 7057.1 is added to the Business and Professions Code, to read:

7057.1 Except as provided in this section, a residential remodeling and home improvement contractor is a contractor whose principal contracting business is in connection with any existing residential wood frame structure requiring the use of at least three unrelated building trades or crafts, and with the following limitations:

(a) The three unrelated trades shall not include framing and rough carpentry, but may include cabinetry, drywall, electrical devices (fans, lights, outlets), finish carpentry, flooring, insulation, molding, painting, plumbing fixtures, and tiling. The residential remodeling and home improvement contractor shall not take a prime contract for any project unless the prime contract requires at least three unrelated building trades or crafts unless the residential remodeling and home

improvement contractor holds the appropriate license classification or subcontracts with an appropriately licensed contractor to perform the work.

(b) The residential remodeling and home improvement contractor shall not contract to make structural changes to load bearing portions of the existing structure, including footings, foundations, partitions, and weight bearing walls.

(c) The residential remodeling and home improvement contractor shall not contract to install, replace, or extend electrical or plumbing systems. The residential remodeling and home improvement contractor may install, repair, and replace plumbing and electrical fixtures and make minor alterations to an existing plumbing and electrical system to effectuate that purpose.

(d) The residential remodeling and home improvement contractor shall not contract for the installation, modification or replacement of heating, ventilating and air conditioning systems or their component parts.

(e) The residential remodeling and home improvement contractor shall not contract for any project that includes a fire protection system as provided for in Section 7026.12 or 7026.13, or the "C-57" Well Drilling classification as provided for in Section 13750.5 of the Water Code.

(f) This classification may be cited or referred to as the B-1 Residential Remodeling and Home Improvement Contractor.





## AGENDA ITEM D

Review, Discussion, and Possible Action  
to Pursue Legislation to Increase the  
Minor Work Licensure Exemption for  
Contracting (Currently Under \$500  
for Labor and Materials)





# CONTRACTORS STATE LICENSE BOARD

## LEGISLATIVE PROPOSAL

**SUBJECT:** Raise the current “minor work” exemption from the contractor license requirement from \$500 to \$1,000.

### IDENTIFICATION OF PROBLEM/SUMMARY:

Existing law states that a contractor license is not required for construction projects that cost less than \$500 in labor and materials combined, this is commonly referred to as the “minor work exemption.” These jobs are considered “casual, minor, or inconsequential” in nature and pose minimal harm to consumers. A 1998 legislative analysis on the minor work exemption conducted by the Senate Committee on Business and Profession states:

[T]here [is] a commonsense argument for exempting certain types of small projects that carry very minimal risk to the consumer from current law's requirements for full licensure by CSLB. . . . [I]t seems to be completely reasonable for a homeowner to legally hire a "handyman" – perhaps a retired neighbor, or a friend of a friend – to replace a section of wallboard in a garage, or to repair a leaky faucet.

The dollar amount of the minor work exemption has increased over time. It was \$200 in 1977, \$300 in 1986, and \$500 in 1998; it has remained at its current level for over 20 years. As a result of rising labor and material costs over the past decades, it is reasonable to consider an increase.

According to the Department of Industrial Relation's California Consumer Price Index (CPI) calculator, the percent change in the CPI for urban wage earners and clerical workers between April 1998 (when the CSLB's minor work exemption was last raised) and April 2019 is 72.3 percent. A 72 percent increase from \$500 is approximately \$862. To accommodate future increases in the consumer price index, staff suggests raising the amount to \$1,000.

**PROPOSED CHANGE:** Raise the minor work exemption to \$1,000.

**IMPACT ON OTHER DIVISIONS:** Increasing the minor work exemption to \$1000 would allow Enforcement staff to focus on larger enforcement and consumer protection concerns.

### PROPOSED LANGUAGE:

#### Business and Professions Code § 7048

This chapter does not apply to any work or operation on one undertaking or project by one or more contracts, the aggregate contract price which for labor, materials, and all other items, is less than ~~five hundred dollars (\$500)~~ one thousand dollars (\$1,000), that work or operations being considered of casual, minor, or inconsequential nature.

## CONTRACTORS STATE LICENSE BOARD LEGISLATIVE PROPOSAL

This exemption does not apply in any case wherein the work of construction is only a part of a larger or major operation, whether undertaken by the same or a different contractor, or in which a division of the operation is made in contracts of amounts less than ~~five hundred dollars (\$500)~~ one thousand dollars (\$1,000) for the purpose of evasion of this chapter or otherwise.

This exemption does not apply to a person who advertises or puts out any sign or card or other device which might indicate to the public that he or she is a contractor or that he or she is qualified to engage in the business of a contractor.

## AGENDA ITEM E

# Review, Discussion, and Possible Recommendation Regarding Cost Benefit Analysis to Outsource CSLB Examination Administration







### **Cost Benefit Analysis for Testing Administration**

The board's 2019-21 Strategic Plan directs staff to "[r]esearch the feasibility of outsourcing test administration to reduce costs, reallocate resources, and expand testing options for licensees." Staff is finalizing a cost benefit analysis for this task.

Staff will present the analysis to the Licensing Committee at the August 6, 2019, meeting. The analysis details: 1) the current estimated costs for administering exams "in-house"; 2) the estimated costs to outsource exam administration to a vendor; and 3) identifies several options to reduce existing "in-house" administration costs.

Based on feedback from the Licensing Committee, staff will present its findings to the full board at the September 2019 meeting, and seek a determination on whether or not the board wishes to pursue outsourcing exam administration.





## AGENDA ITEM F

Adjournment





AUGUST 6, 2019  
SACRAMENTO, CALIFORNIA

CONTRACTORS STATE LICENSE BOARD

# Legislative Committee Meeting





## AGENDA ITEM A

# Call to Order, Roll Call, Establishment of Quorum and Chair's Introduction

LEGISLATIVE COMMITTEE MEMBERS:

AGUSTIN "AUGIE" BELTRAN, CHAIR

KEVIN ALBANESE

DAVID DE LA TORRE

DAVID DIAS

MARLO RICHARDSON

Committee Chair Agustin "Augie" Beltran will review the scheduled Committee actions and make appropriate announcements.





## AGENDA ITEM B

# Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests

(Note: Individuals may appear before the committee to discuss items not on the agenda; however, CSLB's committee can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)). Public comments will be taken on agenda items at the time the item is heard and prior to the CSLB taking any action on said items. Total time allocated for public comment may be limited at the discretion of the Board Chair.

### BOARD AND COMMITTEE MEETING PROCEDURES

To maintain fairness and neutrality when performing its adjudicative function, the Board should not receive any substantive information from a member of the public regarding matters that are currently under or subject to investigation, or involve a pending administrative or criminal action.

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  - (b) If the matter involves complaints against the Registrar, once the matter is final or no longer pending, the Board or Committee may proceed to hear the complaint in accordance with the process and procedures set forth in Government Code section 11126(a).
- (3) If a person becomes disruptive at the Board or Committee meeting, the Chair will request that the person leave the meeting or be removed if the person refuses to cease the disruptive behavior.







## AGENDA ITEM C

Review, Discussion, and Possible Action  
to Pursue Legislation to Amend Business  
and Professions Code Section 7141.5  
(Retroactive Renewals)



# CONTRACTORS STATE LICENSE BOARD

## LEGISLATIVE PROPOSAL CONCEPT

**SUBJECT:** Modify the rules for retroactive renewal of an expired license.

**EXISTING LAW:** Existing law provides that contractor licenses expire every two years, and that contracting on an expired, but renewable, contractor license is cause for disciplinary action. To maintain a license, existing law requires a licensee to apply for and pay for a license renewal prior to the license expiration date. Existing law allows the registrar to grant the retroactive renewal of an expired license if the licensee petitions the registrar, pays the renewal fee and a delinquency fee, and explains why the failure to renew timely was due to circumstances beyond their control.

**IDENTIFICATION OF PROBLEM:** Each year, more than 14,000 contractors renew their license more than 30 days after it expires. This occurs annually even though the renewals are sent to licensees 60 to 90 days prior to the date the license expires.

To meet the current requirement for retroactive renewal, staff must determine if a licensee's failure to renew timely was out of their control. This forces staff to inquire into facts about a licensee's operations and make a subjective value judgment about the licensee's decision making. It is also a heavy burden to meet: CSLB had to deny nearly every petition for retroactive renewal received last year because a failure to renew timely will almost never be out of the licensee's control.

The law should be changed to simply allow a retroactive renewal, if an acceptable renewal is received within 90 days of the license expiration date, without forcing staff to conduct a case-by-case analysis of why the renewal is late. The Medical Board of California has a similar provision (Business and Professions Code section 2424). This change would also mirror the provisions for retroactive acceptance of other license maintenance documents, such as workers' compensation and license bonds, that already exist in the law.

### PROPOSED LANGUAGE:

#### 7141.5.

The registrar ~~may~~ **shall** grant the retroactive renewal of a license if the licensee ~~requests the retroactive renewal in a petition to the registrar, files an application for renewal on a form prescribed by the registrar, and~~ pays the appropriate renewal fee and delinquency fee prescribed by this chapter ~~chapter. The registrar shall reinstate the license to which the renewal pertains.~~ **and an acceptable renewal is received with a postmark date within 90 days of the expiration of the license.** ~~This section shall only apply for a period not to exceed 90 days from the due date and only upon a showing by the contractor that the failure to renew was due to circumstances beyond the control of the licensee.~~

## AGENDA ITEM D

Review, Discussion, and Possible  
Action to Pursue Legislation to  
Charge a \$20 Fee for Processing a  
Name Change on a License Record





## **CONTRACTORS STATE LICENSE BOARD LEGISLATIVE PROPOSAL CONCEPT**

**SUBJECT:** Establish a \$20 fee to process applications to change the name of a license entity.

**EXISTING LAW:** Existing law requires a licensee to notify the CSLB registrar within 90 days of any change to the licensee's business name. Existing law provides that it is a cause for disciplinary action for a licensee to act in the capacity of a contractor in any name other than that on the license as issued.

**IDENTIFICATION OF PROBLEM:** Existing law does not restrict the number of times a licensee can change their business name with CSLB. Existing law also does not allow CSLB to charge a fee for a request to change a business name.

In 2018-19, CSLB received 6,541 requests to change the official business name as recorded in CSLB files. Staff must analyze each request to ensure the proposed new license name is compatible with the current license classification and entity type.

**PROPOSED CHANGE:** This proposal would establish a \$20 fee to process requests for license business name changes to offset the staff resources required to process them.



## AGENDA ITEM E

# Presentations by Panel of Experts Regarding the Proper Classification to Install Battery Energy Storage Systems

1. Presentation from Representative of the C-10 Electrical Industry
2. Presentation from Representative of the C-46 Solar Industry
3. Presentation from Representative of California Building Officials







## AGENDA ITEM F

Review, Discussion, and Consideration  
of the Proper Classification to Install  
Battery Energy Storage Systems and  
Options for Regulatory Proposals to  
Restrict the C-46 (Solar Contractor)  
License Classification







# CONTRACTORS STATE LICENSE BOARD

## BATTERY ENERGY STORAGE SYSTEMS

### Battery Energy Storage Systems

Staff have prepared four options for committee consideration and provided information that supplements CSLB's review of the appropriate classification to install a battery energy storage system and its March 21, 2019 "Energy Storage Systems Report." The options presented are concepts and not intended to be and do not include draft or final regulatory language.

The report, including related letters, is available upon request by calling (800) 321-CSLB (2752) or from the CSLB website:

[http://www.cslb.ca.gov/Resources/BoardPackets/ESS\\_Report\\_revised.pdf](http://www.cslb.ca.gov/Resources/BoardPackets/ESS_Report_revised.pdf)

### **Background**

On April 17, 2018, the board directed staff to hold a public participation hearing on battery energy storage systems (BESS) to gather information for a review of the appropriate license classification(s) to install a BESS in a standalone contract or as part of the installation of a solar photovoltaic system.

CSLB's current administrative interpretation authorizes the following classifications to install a BESS:

- "C-10" (Electrical) – Appropriate to install a standalone battery energy storage system. The classification may also perform solar photovoltaic system installation independently or at the time of BESS installation.
- "C-46" (Solar) – Appropriate to install a BESS at the time of the solar photovoltaic system installation.
- "A" (General Engineering) – Appropriate to install a BESS if the installation requires specialized skill and engineering.
- "B" (General Building) – Appropriate to install a BESS as part of the installation of a solar photovoltaic system if the installation is in connection with a structure.

Note: Labor Code section 108.2 requires electrician certification for all persons who engage in the connection of electrical devices for "C-10" Electrical contractors. Electrician certification is not required for classifications other than C-10 Electrical. If the board determines that only C-10 Electrical contractors can install BESS, certified employees would be required for every installation that involves connection of an electrical device.

Seventy-one people testified at a CSLB-held two-day public hearing (April 25-26, 2018), and CSLB received 269 letters on the appropriate classification to install a BESS. A letter signed by twenty-eight members of the Legislature was received in support of restricting BESS installation to the C-10 Electrical classification. CSLB staff referred to this public testimony and correspondence in the March 2019 BESS report.

### **March 21, 2019 Board Motion**

At the March 21, 2019 board meeting, members reviewed the Energy Storage System Report. The report included a review of California Code of Regulations section 832.46, which defines a C-46 Solar contractor as follows:

A solar contractor installs, modifies, maintains, and repairs thermal and photovoltaic solar energy systems.

A licensee classified in this section shall not undertake or perform building or construction trades, crafts, or skills, except when required to install a thermal or photovoltaic solar energy system.

After reviewing staff's Energy Storage System Report and its related correspondence, and hearing testimony from 74 members of the public, the board unanimously adopted the following motion:

1. Consider energy storage system size, complexity, voltage, and potential risks.
2. Draft proposed regulatory language to present to the board for consideration that would prohibit or restrict certain contractor classifications from performing the installation of energy storage systems.
3. Assign this to the appropriate board committee or committees and provide updates at each board meeting.

### **Committee Assignment**

In preparation for the May 13, 2019 committee meetings and June 6, 2019 board meeting, Chair Marlo Richardson assigned the BESS classification review to the Legislative Committee. A brief status update was provided at the committee and board meetings.

### **Additional Staff Research**

In furtherance of the board's directive to consider BESS size, complexity, voltage, and potential risk when developing proposed regulatory language, staff contacted government and construction industry stakeholders for their analyses of the issue and

conducted interviews between June and July 2019. They are listed alphabetically as follows:

### **California Building Industry Association**

As stated in my [Robert E. Raymer, PE, Senior Engineer/Technical Director for the California Building Industry Association] May 17, 2018 letter written on behalf of the California Building Industry Association (CBIA), CBIA is concerned if CSLB prohibits C46-Solar Contractors from installing energy storage systems (ESS), new home builders will see a significant reduction in the available workforce that can legally install an ESS system. The reduction in workforce will delay construction and increase the cost of new residential construction. In addition, CBIA is not aware of any building code or safety violations that have occurred during the installation of an ESS on a residential new home and the current industry practice is for the same contractor to install the ESS at the same time as the photovoltaic system.

I would encourage the CSLB to continue to permit a C46 contractor to install and maintain energy storage systems on single family residential structures when the ESS is installed at the same time as the photovoltaic system. If CSLB has safety concerns, requiring the C46 to follow plans drawn by an electrical engineer should ensure proper installation practices.

CBIA anticipates the construction of approximately 120,000 dwelling units in 2020. Approximately 70,000 of the units will be single family homes required to have solar on the roof or tied to community solar. Approximately 15,000 of the single-family homes will have battery energy storage systems. CSLB staff's estimated increase of \$100 per unit to use certified electricians to install the battery energy storage systems is accurate.

### **California Building Officials**

CALBO stands behind my [Katie Almond, Government Affairs Manager] April 25, 2018 letter. Subject letter includes the following statement:

*Currently licensed electricians, or a C-10 classification, are qualified to install and maintain an ESS. This classification has the proper training and expertise in order to provide the required safety measures and ensure proper code compliance. Alternatively, considering the allowance of a C-46 licensee to perform this job function could jeopardize the integrity and safety of the ESS unit and jeopardize the safety of those within the dwelling. This classification of license does not have the proper training or experience to comply with current installation requirements. Therefore, we support a C-10 classification as the most appropriate for installing an ESS.*

## California Department of Finance

Staff contacted the Department of Finance (DOF). The representative declined to have their name mentioned in this report, but advised CSLB staff to review Government Code section 11342.548 – Major Regulations:

Government Code Section 11342.548 defines a “major regulation” as any regulatory change subject to the Office of Administrative Law’s review that will have an economic impact on California business enterprises and individuals in an amount exceeding \$50 million, as estimated by the agency.

DOF adopted regulations for conducting a standardized regulatory impact analysis and those regulations [1 CCR §§ 2000 – 2004] took effect on November 1, 2013. DOF encourages consultation if regulations are likely to have cost or benefit over \$10 million to ensure that you are making your economic impact assessment in the manner specified by DOF’s regulations.

DOF has economic modeling software, for which it is possible to obtain a license to use. The modeling software, RIMS II Multiplier, would assist in estimating costs and benefits and in determining whether costs or benefits will reach the threshold for a major regulation.

Separate from its conversation with DOF, CSLB staff reviewed a Stanford University study regarding BESS installation labor costs (<https://www.gsb.stanford.edu/faculty-research/working-papers/emergence-cost-effective-battery-storage>) and an analysis of Employment Development Department average wages for electrician and solar panel installers ([www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)). From these reports, staff determined that the use of a certified electrician to install a BESS on a new construction single-family residential unit could result in an estimated \$100 increase in cost per instance. Using CBIA’s estimate of 15,000 new construction BESS installations in the next few years, the additional cost to the public would be \$1.5 million annually.

Staff has not performed an analysis regarding any increased cost for certified electricians to perform BESS installations on existing residential units. However, according to the California Solar & Storage Association, there were 11,179 solar photovoltaic paired with battery ESS installations in California between 2016 and the first quarter of 2019. These numbers exclude any installations from the San Diego Gas and Electric territory, a rather large market.

Depending on board direction, DOF will likely require additional financial evaluation. CSLB staff have begun the process of obtaining the DOF software described above.

## California Energy Commission

On July 1, 2019, staff participated in a conference call with California Energy Commission (CEC) Senior Advisor Bill Pennington and staff. CEC staff expressed the following concerns:

- California is experiencing a significant shift to electricity generated behind the meter. For this shift to be successful, it is necessary to install batteries that capture energy midday that can be used in the evening.
- New home construction and climate and decarbonization goals require affordability. Larger decarbonization goals may be compromised by the increased cost of mandating only certified electricians install energy storage systems.
- The increased cost of using certified electricians to install ESS may be approximately \$100 per unit. However, general contractors will not use a C-46 Solar contractor to install the photovoltaic (PV) system and a C-10 Electrical contractor to install the ESS; they will use the C-10 contractor for both if the C-46 cannot install the ESS.
- CSLB needs to consider the additional cost of certified electricians installing the ESS and the PV.
- CSLB data does not demonstrate that C-46 contractors receive more complaints than C-10 contractors specific to ESS installation.

Because of the concerns above, CEC staff oppose restricting C-46 contractors from installation of ESS at the time of PV installation.

## California Public Utilities Commission

CPUC staff were interviewed, however, requested not to be quoted.

### **Options and related facts for committee consideration**

Below are four options for committee consideration, followed by further discussion of each. Committee members may support one of these options, or none of them, or develop its own option. To assist the committee in reviewing each option, the facts and information that follow include references to the Energy Storage System Report and other staff research. (Referenced page numbers are to the ESS Report.)

- Option 1: Preclude the C-46 Solar classification from installing battery energy storage systems
- Option 2: Permit the C-46 Solar classification to install battery energy storage systems on specified residential units with restrictions
- Option 3: Permit the C-46 Solar classification to install battery energy storage systems on residential units with restrictions
- Option 4: Make no change to the existing C-46 Solar classification



## **Option 1: Preclude the C-46 Solar classification from installing battery energy storage systems**

California Code of Regulations Section (CCR) 832.46 currently defines a solar contractor as follows:

A solar contractor installs, modifies, maintains, and repairs thermal and photovoltaic solar energy systems.

A licensee classified in this section shall not undertake or perform building or construction trades, crafts, or skills, except when required to install a thermal or photovoltaic solar energy system.

The language in CCR 832.46 does not mention battery energy storage systems. A BESS is not a photovoltaic solar system. Testimony and letters received and reviewed by staff contend that a BESS is not required to install a thermal or photovoltaic solar energy system (p. 4). Rather, they contend that a BESS is a separate system from a solar PV, subject to separate codes, safety risks and installation (p. 23).

At the March 21, 2019 board meeting, members reviewed the Energy Storage System Report, which included the following facts for consideration.

- Testimony and letters received and reviewed by staff contend that to prevent electrical overloading, residential and commercial systems will often require a service upgrade, and that approximately 20 percent of installations require a service upgrade due to the installation of equipment, such as an electric car charger or PV system that exceeds the energy threshold of the service panel. Longstanding CSLB practice has been that a C-10 Electrical classification is required for the service upgrade (p. 23).
- Testimony and letters received and reviewed by staff contend that there are safety concerns with each battery type depending on the “set up and management,” and that poor installation can increase battery safety risks (p. 24).
- Testimony and letters received and reviewed by staff contend that BESS should only be installed by C-10 electrical contractors (throughout, particularly p. 53).
- At an April 2018 public participation hearing, 63 people testified in support of BESS systems being installed by C-10 contractors employing certified electricians regardless of whether as a standalone system or part of a PV system installation. Speakers representing training instructors, electricians, apprentices, fire, inspection, and safety groups spoke in favor of this conclusion (p. 25).
- An April 25, 2018 letter from the California Building Officials (CALBO) states that CALBO “support[s] a C-10 classification as the most appropriate for installing an BESS” and that the C-10 classification “has the proper training and expertise in order to provide the required safety measures and ensure proper code compliance” (p. 35).

- CSLB received 149 letters from the public supporting the C-10 license as the most appropriate classification to install BESS (p. 42). Six of these letters were from local and state government representatives; one was signed by 28 members of the State legislature and 23 local or state officials (p. 66).
- In addition to letters on behalf of the C-10 Electrical contractor industry, CSLB received a press release and petition signed by 2,877 individuals on behalf of the C-10 Electrical contractor industry. The letter urges the board to clarify current regulations to require that only specialty contractors holding a C-10 Electrical contractor license may install battery energy storage systems. The letter notes that a battery is electrical in nature and that C-10 contractors and their employees are trained in electrical systems (pp. 42 and 53-54).
- Letters and testimony received from certified electricians, licensed contractors, electrician trainers, safety specialists, utility representatives, and building and fire department officials stated that BESS installations may pose a health and safety risk. Many of the letters summarized in the report state that BESS systems pose unique and particularly hazardous safety, fire, and electrocution risks, and that improperly installed systems cause hazards and can overheat, explode, create arc flashes and blasts of electricity, or burst into flames (p. 69).
- Testimony and letters received and reviewed by staff contend that battery energy storage systems involve the connection of electrical devices and the employees of C-10s, who are required to be certified electricians, are the appropriate persons to make those connections (p. 71).
- The electrician certification requirement in Labor Code 108.2 does not provide an exception for C-46 solar contractors (p. 71).
- CSLB has consistently required electrician certifications for C-10 contractors employing workers that “engage in the connection of an electrical device,” notwithstanding that the contractor may have an “A” General Engineering or “B” General Building classification, in addition to a C-10 Electrical classification (p. 71).
- According to research performed by staff, California is unique among states in allowing a contractor designated by a specialty “solar” classification to connect an energy storage system device as part of a solar photovoltaic installation, and does not in some way cap that ESS installation by voltage, or require the ESS work to be subcontracted out to, or performed under, an electrician. Of the states that do have a solar license classification (Connecticut, Florida, Hawaii, Idaho, Louisiana, Nevada, and Utah), only Hawaii and Utah mention energy storage. In Utah, a solar contractor may not install energy storage systems as part of a PV installation. In Hawaii, energy storage system work must be subcontracted to an electrical contractor (p. 72).

**Option 2: Permit the C-46 Solar classification to install battery energy storage systems on specified residential units with the following restrictions:**

- Limit the BESS installation authority to a PV system up to 10 kilowatts on a single-family dwelling or a duplex, and the BESS must not exceed a 5-kW (backup)/20-kWh (energy)<sup>1</sup>;
- The BESS is installed at the same time as the solar photovoltaic energy system; and,
- No upgrade or alteration is made to the existing electrical system of the structure.

**A. Facts supporting size, complexity and residential limitations**

Option 2 would limit the C-46 to the installation of a BESS at a maximum of 5 kw/20 kWh only when installed at the same time as PV system at a maximum of 10 kw rating in single or duplex family dwellings.

- At the January 18, 2019 CSLB-held C-46 industry meeting, solar industry representatives stated that the battery ESS most commonly used in the residential market are “plug and play,” comparable to a simple appliance installation. The “plug and play” systems at the residential level have built-in circuit protections that preclude the arc flash and thermal runaway. While battery cells can deliver high fault currents that can spark from blunt impact, installers do not have access to the terminals, as a safety measure by the manufacturer (p. 24).
- The California Solar Rights Act defines which types of solar energy systems qualify for its legal protections. That Act allows consumers access to sunlight and limits HOAs and local governments from preventing the installation of solar energy systems. The systems qualifying for its protections include small-scale consumer systems designed to meet onsite electric load, which are the systems installed on residential structures.<sup>2</sup>
- The Solar Rights Act also provides that “small residential rooftop solar energy systems” are those not larger than 10 kilowatts alternating current nameplate rating, that conform to all applicable state fire, structural, electrical, and other building codes, and are installed on a single duplex or family dwelling and do not exceed legal building height for the local jurisdiction (Government Code § 65850.5(j)(3)).
- The U.S. Department of Energy’s National Renewable Energy Laboratory (NREL) determined that a 5kw (backup power)/20 kW hour (energy) lithium-

ion battery would enable a typical customer to optimize self-consumption of PV electricity including peak-demand saving and time-of-use shifting.<sup>3</sup>

- For context, the Tesla Powerwall, a commonly used residential battery energy storage system paired with PV, is rated at 14 kW hours energy.<sup>4</sup>

## **B. Facts supporting the authorization of a C-46 installing PV at the same time as BESS**

- As described in Option 1, CCR 832.46 does not permit the C-46 classification to contract solely for BESS; however, CSLB has permitted the C-46 to install an energy storage system as part of a solar system pursuant to Business and Professions Code section 7059 - Rules and Regulations Affecting Classification of Contractors, that reads in part:

Nothing contained in this section shall prohibit a specialty contractor from taking and executing a contract involving the use of two or more crafts or trades, if the performance of the work in the crafts or trades, other than in which he or she is licensed, is incidental and supplemental to the performance of the work in the craft for which the specialty contractor is licensed.

- At the January 18, 2019 C-46 industry meeting, solar industry representatives stated that the solar industry has been installing batteries on residential units for many years and most residential batteries are plug and play. Manufacturers are building PV systems to include battery ESS because of increased demand. Only one permit is required to install a solar system when paired with a battery (p. 24).
- CSLB received 121 letters from the public supporting C-46 licensees installing ESS when paired with solar PV (p. 42).
- CSLB has solicited but not received examples of workmanship or serious injury or death resulting from installation of ESS paired with solar photovoltaics. Staff polled CSLB enforcement field offices to determine if any of the 21,301 complaints CSLB opened in the past year involved energy storage systems. The field offices reported zero such complaints (p. 70).
- On May 17, 2018, California Building Industry Association (CBIA) Government Affairs Senior Engineer Robert Raymer, encouraged CSLB to continue to permit a C-46 contractor to install and maintain energy storage systems on single family residential structures when the ESS is installed at the same time as the photovoltaic system, rather than limiting the number of individuals authorized to install the technology. Mr. Raymer expressed concern that a reduction in workforce would delay construction and increase the cost of new residential

construction, particularly given that CBIA is not aware of any building code or safety violations that have occurred during the installation of an ESS on a residential new home.

- California Energy Commission staff, which included CEC Senior Advisor Bill Pennington, oppose restricting C-46 contractors from installation of ESS at the time of PV installation. They fear new home construction and climate and decarbonization goals may be compromised because of increased costs if only C-10 contractors can perform the work.

**C. C-46 not authorized to perform upgrade or alteration to existing electrical system**

For more than 10 years, the CSLB classification deputy has consistently replied to contractors and building departments inquiring about C-46 contractors performing main electrical service, panel upgrades or replacements as follows:

It is not appropriate for C46-Solar contractors to perform main electrical service panel upgrades or replacements as part of a solar PV installation project. A C46 contractor may only perform electrical work that is required to accommodate the installation of the solar PV system. A C10-Electrical contractor is the appropriate classification for complete electrical service panel upgrades or replacements.

At the May 2, 2018, County Building Officials Annual meeting, attended by more than 30 building officials, CSLB staff were advised that more than 20 percent of ESS installations require an upgrade to the electrical panel and/or existing electrical system. Many building officials stated that they require a C-10 Electrical classification to upgrade the electrical panel/system, which aligns with CSLB's standard practice (pp. 35 and 76).

**Option 3: Permit the C-46 Solar classification to install battery energy storage systems on residential units with certain restrictions.**

- Limit the BESS installation authority to a PV system on a residential dwelling;
- The BESS is installed at the same time as the solar photovoltaic energy system;
- No upgrade or alteration is made to the existing electrical system of the structure; and,
- With plans drawn or approved by an electrical engineer.

**Facts and information supporting option 3:**

- Robert E. Raymer, PE, Senior Engineer/Technical Director for the California Building Industry Association, stated in a May 17, 2018 letter written on behalf of the California Building Industry Association (CBIA) that if CSLB has safety concerns, requiring the C-46 to follow plans drawn by an electrical engineer should ensure proper installation practices.
- Paige B. Vaughan, a California Building Official, Design Build Institute of America, stated to CSLB staff that requiring a C-46 to follow plans drawn by an electrical engineer should ensure proper installation practices.
- According to a panel of industry experts representing the C-10 Electrical industry at a January 17, 2019 stakeholder meeting on the topic of energy storage, whether residential or commercial installation is being considered, calculations are required to ensure that the existing electrical system can withstand installing a BESS (p. 23).
- Business and Professions Code section 6702.1 provides that all electrical engineering plans and specifications that are “permitted” or that are to be “released for construction” shall bear the signature and seal or stamp of the electrical engineer and the date of signing and sealing or stamping.
- According to the U.S. Department of Energy, a “qualified professional engineer or firm should always be contracted to oversee any energy storage project.” However, this statement was made in the context of those who are interested in the addition of energy storage to a single or multiple commercial buildings.<sup>5</sup>
- CSLB has not researched if plans drawn by an electrical engineer are currently required for the installation of BESS by any number of local jurisdictions in a residential application or whether and how much this would result in additional cost to the marketplace.



#### Option 4: Make no change to the existing C-46 classification

- At a September 1981 board meeting, members confirmed that it was the intent of the new C-46 classification to include the electrical components of solar systems (p. 11).
- In stating the rationale and purpose behind developing the stand-alone C-46 license, CSLB's 1981 Statement of Reasons that provided the rationale for adopting the C-46 classification explained that CSLB "has received several letters from industry representatives stating that there are a minority of contractors who specialize in installation of all types of solar systems. Those contractors specializing in multiple or hybrid solar systems must have expertise that differs from the accumulation of the various specialty classifications which include specific solar technology" (pp. 16-17).
- At a January 18, 2019 C-46 industry expert meeting, solar industry representatives stated that C-46 Solar contractors have been installing batteries for the last 40 years, and in many ways lead-acid is more dangerous than new lithium ion enclosures (p. 24).
- CSLB has solicited but not received examples of serious injury or death resulting from improper installation of ESS paired with solar photovoltaics (p. 70).
- CSLB polled its enforcement field offices to determine if any of the 21,301 complaints CSLB opened in the past year involved energy storage systems. The field offices reported zero such complaints (p. 70).
- CSLB received a report from the California Division of Occupational Safety and Health on the injuries reported over the last fiscal year in the Department of Industrial Relations' electrical classification, and none of the reports identified accidents involving the installation of battery energy storage systems (p. 70).
- California Energy Commission staff, which included CEC Senior Advisor Bill Pennington, oppose restricting C-46 contractors from installation of ESS at the time of PV installation. They fear new home construction and climate and decarbonization goals may be compromised because of increased costs if only C-10 contractors can perform the work.

<sup>1</sup> This concept comes from the definition of a small residential rooftop solar energy system contained in the California Solar Rights Act at Government Code section 65850.5(j)(3)(A).

<sup>2</sup> California's Solar Rights Act, "A Review of the Statutes and Relevant Cases." University of San Diego, Energy Policy Initiatives Center, University of San Diego School of Law. P. 6

<sup>3</sup> Id. at P. vii

<sup>4</sup> [https://www.tesla.com/sites/default/files/pdfs/powerwall/Powerwall%20AC\\_Datasheet\\_en\\_northamerica.pdf](https://www.tesla.com/sites/default/files/pdfs/powerwall/Powerwall%20AC_Datasheet_en_northamerica.pdf)

<sup>5</sup> On-Site Energy Storage Decision Guide. Better Buildings, U.S. Department of Energy. April 2017, pp. 2 and 3.

<https://betterbuildingsolutioncenter.energy.gov/sites/default/files/attachments/BB%20Energy%20Storage%20Guide.pdf>





## AGENDA ITEM G

Adjournment

